GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:4029
ANSWERED ON:25.08.2004
FOREIGN DIRECT INVESTMENT IN TELECOM SECTOR
Saradgi Shri Iqbal Ahmed

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether finding domestic capital market unable to meet the huge capital requirements of the telecom sector, telecom majors including British Telecom, Hutch and Bharti have approached the Government for a change in foreign direct investment policy;

(b) if so, whether citing precedents of insurance, banking and print media sectors, FICCI has suggested that Government allow foreign institutional investors to invest beyond sectoral cap of 49 per cent FDI in telecom sector;

(c) whether the Government has considered the suggestions; and

(d) if so, the extent to which the Government has accepted these and the outcome thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SHAKEEL AHMAD)

(a) to (d) Major telecom service operators and industry associations including Federation of Indian Chambers of Commerce and Industry (FICCI) had been demanding for increase in foreign direct investment (FDI) ceiling from 49 per cent to 74 per cent and also submitted an alternative proposal to allow investment by Foreign Institutional Investors (FIIs) outside the sectoral cap. These proposals have been considered by the Government keeping in view the investment requirement in the telecom sector, security considerations etc. Finance Minister has proposed to raise the sectoral cap for FDI in telecommunications from 49 percent to 74 per cent in his Budget Speech for the Budget 2004-05.